

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

<b>In the Matter of</b>	)	
	)	
<b>2000 Biennial Regulatory Review</b>	)	<b>CC Docket No. 00-199</b>
<b>Comprehensive Review of the Accounting</b>	)	
<b>Requirements and ARMIS Reporting</b>	)	
<b>Requirements for Incumbent Local Exchange</b>	)	
<b>Carriers: Phase 2</b>	)	
	)	
<b>Local Competition and Broadband Reporting</b>	)	<b>CC Docket No. 99-301</b>
	)	

**WORLDCOM COMMENTS**

WorldCom, Inc. (WorldCom) hereby submits its comments on the Further Notice of Proposed Rulemaking (Further Notice) in the above-captioned proceedings. In the Further Notice, the Commission seeks “to refresh the Phase 3 record in light of the findings made and actions taken”<sup>1</sup> in the Phase II Order.<sup>2</sup>

As WorldCom explained in its Phase 3 comments,<sup>3</sup> the Commission should maintain the core requirements of Part 32 or Part 64 until an ILEC has been declared nondominant for all interstate services.<sup>4</sup> As long as an ILEC remains dominant in the provision of interstate services, i.e., possesses market power, the accounting rules remain necessary to ensuring that rates remain just and reasonable. Among other things, the Part 32 USOA

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<sup>1</sup> Further Notice at ¶ 206.

<sup>2</sup> 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Report and Order, CC Docket No. 00-199, released November 5, 2001.

<sup>3</sup> WorldCom Comments, CC Docket No. 00-199, February 13, 2001.

<sup>4</sup> Determinations of nondominance should employ the framework used by the Commission in the AT&T

restrains an incumbent LEC=s ability to charge monopoly prices because it provides ratepayers with information that can be used to pursue a complaint against unjust and unreasonable rates.

The Commission should not adopt proposals to sunset certain aspects of the accounting rules by a date certain. The assumption underlying those proposals is, apparently, that competition will develop to such an extent that certain rules, while necessary today, will no longer be necessary in three or five years. But the sharp slowdown in CLEC activity precludes the Commission from assuming that “we are moving to an environment in which competition will be the main force that sets rates.”<sup>5</sup> There is no evidence that competition is the main force that sets ILEC rates in any segment of the local exchange and exchange access market; almost without exception, ILEC interstate rates today are set at the maximum permitted by the price cap rules or, in the case of special access services that have received Phase II pricing flexibility, are actually higher than the rates permitted by the price cap rules.

Indeed, rather than set a date on which certain accounting requirements might sunset, the Commission should declare a five-year moratorium on changes to the accounting rules. In the six years since the passage of the 1996 Act, the Commission has issued a series of orders that have substantially reduced the scope of the accounting requirements imposed on ILECs.<sup>6</sup> Before making any further changes to its accounting rules, the Commission

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Nondominance Order, 11 FCC Rcd 3271.

<sup>5</sup> Phase II Order at ¶ 3.

<sup>6</sup> 1998 Biennial Regulatory Review – Review of ARMIS Reporting Requirements, Report and Order, 14 FCC Rcd 11443 (1999); 1998 Biennial Regulatory Review – Review of Accounting and Cost Allocation Requirements, Report and Order, 14 FCC Rcd 11396 (1999); Phase II Order.

should allow sufficient time to evaluate the development of competition and to evaluate the operation of the far-reaching changes made in the Phase II Order.

Respectfully submitted,  
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